

Alice: from Internet to broadband entertainment

DW.M.I.

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Telecom Italia 2003 operational objectives...

2003 Objectives

- ▶ Continuous focus on core business through product innovation, Customer Care and Services
- ▶ Strong focus on broadband market (Business and Residential) in access, services and VAS
- ▶ Development of data and web services market
- ▶ Follow up re-engineering in operations to become best in class in customer care and service
- ▶ Further efficiency in opex and capex

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... and main 1H '03 achievements in broadband market development

Number of access ('000)	Dec '01	Jun '02	D	Dec '02	Jun '03	D	D Jun '03 vs Jun '02
Wholesale	143	165	+22	220	400	+180	+235
Retail	247	420	+173	630	975	+345	+555
Total	390	585	+195	850	1,375	+525	+790

ADSL customers in Italy increased over 60% in H1 2003

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Telecom Italia is now connecting over 20,000 new customers per week...

Broadband portfolio growth per Half

Number of access ('000)

- Growth in 1H03 double than in 2H02
- 1H03 growth higher than full year 2002 growth

1° H 2002	2° H 2002	1° H 2003
195	265	525

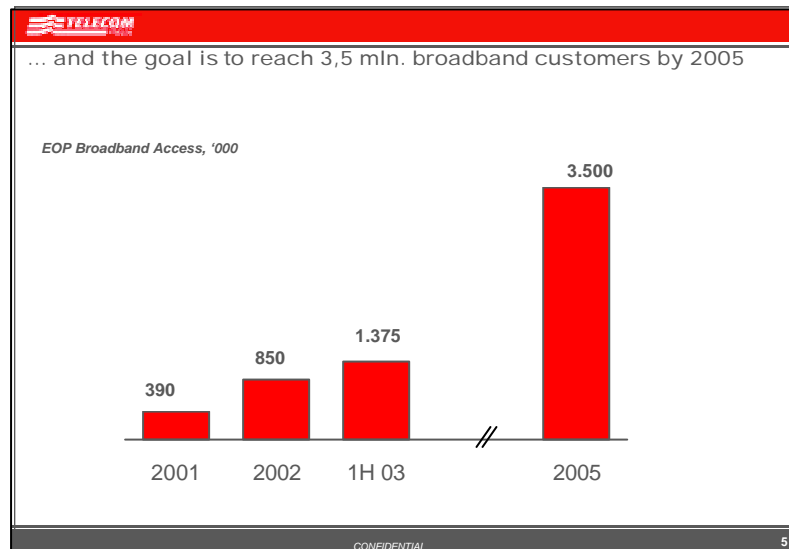
Portfolio growth acceleration in 2003

Average weekly new accesses (#)

3° Q 2002	4° Q 2002	1° Q 2003	2° Q 2003
5,990	15,400	19,200	21,100

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Telecom Italia Wireline ADSL deployment in the consumer market: drivers, offerings and vision

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Broadband development in Italy was initially limited by 4 main constraints

- Lack of knowledge and difficulty of use
ADSL is introducing new complexity in the home: Ethernet, PPPoA WiFi...
- Pricing
ADSL is relatively expensive
- Geographical coverage
Need to expand the service availability
- Lack of distinctive content and services
Need to find new ways to use broadband

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In 2002 we launched a new brand for ADSL, supported by a strong advertising campaign

"Alice"
now identifies Telecom Italia
ADSL for the consumer market

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Our customers can choose among several different solutions...



		Alice			Alice 640	Alice Mega	
	Time	20 Ore	Flat				
	Internet connection at 256/128 Kbps Priced at 1,5€ cent/min.	30 hours/month internet connection at 256/128 Kbps included. Additional traffic priced at 2,5 €cent/min.	Unlimited Internet connection at 256/128 Kbps	Unlimited Internet connection at 640/128 Kbps	Unlimited Internet connection at 1280/256 Kbps		
ADSL LINE	Monthly fee	€ 12.95	€ 24.95	€ 36.95	€ 49.95	€ 64.95	
Self Install option	Monthly fee includes CD and modem (rental)	€ 15.95	€ 27.95	€ 39.95	€ 52.95	€ 67.95	+ 3 €/month
Wi-Fi version	Monthly fee includes: installation and rental of wireless modem and terminal adapter			€ 51.95	€ 64.95	€ 79.95	+ 15 €/month

All Alice offerings include:

- 1 e-mail account (50 MB)
- 100 MB web space
- 10 free SMS per day
- free access to Alice videoportal

All prices shown are VAT included

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... which are continuously increasing in order to satisfy the different needs

Alice Rechargeable

Launched May 03

- ▶ ADSL access at 256/128 Kbps
- ▶ Installation Kit: 100€ (modem + self installing CD + 25 hours of online traffic included)
- ▶ Recharging (25 hours online traffic) : 50€
- ▶ Modem rental: 3 €/month (free for the first 3 months)

Alice FREE

Launched Sep 03

- ▶ ADSL access at 256/128 Kbps
- ▶ Monthly fee: **none**
- ▶ Installation Kit: 28€
- ▶ Online traffic: 2€/hour
- ▶ Modem rental: 3 €/month (optional)

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The coverage was extended

Telecom Italia broadband internet access reached 100% of population

23 Industrial District 100% coverage

Residential

74% 100%

Via Satellite >80%

Terrestrial ⁽¹⁾

2002 2003

Business ⁽²⁾

70% 91%

2002 2003

(1) On Internet users

(2) HDSL

Demand driven deployment

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Broadband Entertainment services significantly broaden the potential market

Pay TV + "Video Driven"

Internet surfers

"Blockbuster boys"

Console gamers

22 M. Households

3.7 M. HH

4.3 M. HH

1.9 M. HH

4.8 M. HH

Source: "Casa & Tecnologia" research, Feb. 2003

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Titolo della presentazione

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The competition will be no longer based on connectivity, but on innovative services

Not only a brand associated with Fast Internet ...

...but a brand identifying Broadband Entertainment

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Alice's Home is the videoportal created by Telecom Italia for Alice customers...

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Broadband can take advantage of partnerships with players sharing the same vision...

Alice's Home

NEW SERVICES and Content

- Wi-Fi
- Home Gateway
- Service Control
- Billing
- Content Acceleration
- Customer profile/authentication

BROADBAND DEVICES

- Game consoles
- DTT, DBS set-top boxes
- Videophone
- HiFi stereo equipment
- Digital cameras and camcorders
- TV set
- Home Theater
- Laptop Computers

BROADBAND SERVICES

- Videotelephony
- Videochat/Videocommunity
- Video on Demand
- Parental Control
- Video/Audio streaming

PARTNERS

- Consumer Electronics
- Gaming industry
- Broadcasters
- Computer Manufact.
- Cinema Industry
- Music Industry

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...whereby virtual objects become real

Virtual

- Telephone
- Radio

Evolution

- Videophone as a PC-based service
- Service Accessed through a variety and interoperable devices
- Alice's PC Games
- Multi-console gaming
- Alice's PC Radio as a hitlist of selected Music Channels (Vitaminic MTV...)
- Service accessed by a real HiFi Stereo equipment

Real

- Videophone
- Radio

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